

EXHIBIT

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The Great Lebanese Ponzi Scheme

The country is without doubt on the precipice of disaster.

By Lina Mounzer

Ms. Mounzer lives in Lebanon.

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BEIRUT, Lebanon — After a nearly two-hour wait at his bank, in early November, Fadi Aziz, a freelance web designer in Beirut, asked the teller to withdraw \$1,000 from his account.

The teller was courteous but firm: “You can’t withdraw more than \$300 per week.” Mr. Aziz, who was traveling out of the country, protested that he needed the money. He insisted that the \$300 limitation was illegal, that there had been no official circulars to decree it. He was ushered in to see the branch manager.

This branch manager is notorious for the way she deals with customers — through the cold, inhuman logic of capital. Once, years ago, I called from abroad because I was having a problem with my debit card. She snidely inquired whether it was even worth fixing the problem considering how little money I seemed to be earning.

She was no different with Mr. Aziz. “On accounts like yours, sir,” she said, with her usual sneer, “we’ve capped the withdrawal limit at \$300.” More important customers would, of course, be able to withdraw more cash.

The branch manager’s attitude not only reflects the Lebanese banking system’s brazen disregard for customers, it also represents the manner in which the system has been dealing with our money. Lebanese banks have been promising — and paying out — exorbitant interest rates to big depositors from the interest earned on the money they have lent out to the state. The economy is effectively a giant Ponzi scheme.

The setup, whereby individual enrichment is achieved through increased public debt, is unsustainable. In Lebanon’s service-based economy, which is heavily reliant on imports and where capital is not invested in improving economic productivity but only in providing a stable dollar peg for the Lebanese lira, it almost guarantees economic collapse.

The massive countrywide protests that have entered a second month — and show no sign of letting up — have only somewhat hastened that economic collapse.

Set off by a proposed tax on WhatsApp phone calls announced on Oct. 17, the protests are fundamentally about decades of corruption and economic mismanagement. From the outset, protesters have been calling not only for the resignation of the government led by Prime Minister Saad Hariri (which did indeed resign on Oct. 29) but also for an end to the sectarian political system that has served as the perfect environment for corruption.

The Lebanese political order is based on the idea that power sharing and sectarian quotas for the country’s various religious and confessional groups is the only way to preserve civil peace, and that this formula should extend to everything: From the way public funds are allocated to how even entry-level jobs are awarded.

This order ensures that responding to citizens’ needs takes a back seat — and every chieftain and his cronies gets their pockets lined. Unemployment is rampant. And Lebanon’s top 1 percent earn about 25 percent of the gross domestic product, making it one of the most unequal economies in the world.

I say protests, but on the ground, we are calling it “thawra,” revolution. Not without reason: Lebanon has seen a devastating, 15-year-long sectarian civil war, and the warlords who caused the deaths of 150,000 people and disappeared 17,000 more are the same oligarchs who have helped plunge the country into \$86 billion of debt, using the specter of war to dissuade citizens from organizing against them.

The fact that people have come together from across the country and across all sectarian lines in enormous numbers with the demand to unseat them — all of them — is nothing short of revolutionary.

We are without doubt on the precipice of disaster. Already supermarket shelves are sparser and prices are rising by the day. Many people’s salaries are being slashed; others are being fired outright. Hospitals warn that they will soon be running out of medication, including anesthetic, because they don’t have enough dollars to pay for imports.

Many businesses are no longer accepting card payments. My husband and I managed to pull out our meager savings in dollars before the last round of strikes. We now exchange them, \$100 at a time, on the black market. Every time we change money, we receive shocking evidence of how fast the lira is devaluing, though the governor of the central bank continues to insist that the Lebanese lira is still pegged to the dollar at the official rate of 1,507.5 per dollar.

But the powerful, angry energy on the streets and at the protest sites is the most transformative, wildly optimistic thing I have ever experienced in my life. For years I felt a sense of shame when I remembered that conversation with the bank manager — being told that a person was worth exactly what was in their bank account, that my financial struggles were a question of individual failure rather than systemic forces.

Out in the squares, which have turned into giant, open-air classrooms with lectures and open dialogue sessions — on the constitution, the economy, the legal system — being held long into the night, I, along with so many others, am being unburdened of that shame. The isolating sense of feeling personally responsible for my inability to improve my financial situation, regardless of how hard I work, is being replaced with a sense of collective responsibility to expose and change the inequalities of the system we allow to regulate our lives.

One lecture I attended in Beirut was given by the financial journalist Mohammad Zbeeb, who recently resigned from his position as the business page editor of *Al Akhbar*, a leftist, secular and pro-Hezbollah newspaper, in protest against the paper's stance toward the revolution. Mr. Zbeeb explained how, among other measures, a drastic restructuring of the public debt might help alleviate the crisis.

A young man in the audience couldn't stop himself: "Only in our dreams would they agree to something like this!" We had just discussed in detail how the state and the banks had, together, and on purpose, built the system that plunged us into this debt, without regard for the people who would eventually have to pay the cost.

"And why are we out here, doing all this work in the streets," Mr. Zbeeb responded, "if not to try and dream up something better?"

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